

**MINUTES
of the
SECOND MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**July 12-13, 2012
Chama Elementary/Middle School Gymnasium
Chama, NM**

The second meeting of the Economic and Rural Development Committee (ERDC) was called to order by Representative Debbie A. Rodella, chair, on Thursday, July 12, 2012, at 10:19 a.m. in the Chama Elementary/Middle School Gymnasium in Chama, New Mexico.

Present

Rep. Debbie A. Rodella, Chair
Sen. Bernadette M. Sanchez, Vice Chair
Sen. Mark Boitano (July 12)
Rep. Ernest H. Chavez
Sen. Mary Jane M. Garcia
Sen. Clinton D. Harden, Jr.
Rep. Yvette Herrell
Sen. Richard C. Martinez
Sen. David Ulibarri

Absent

Rep. Mary Helen Garcia
Rep. Nate Gentry
Rep. Dianne Miller Hamilton
Rep. Patricia A. Lundstrom
Sen. Howie C. Morales

Advisory Members

Sen. Rod Adair (July 13)
Rep. George Dodge, Jr. (July 12)
Rep. Sandra D. Jeff (July 12)
Rep. James Roger Madalena (July 12)
Rep. William "Bill" R. Rehm

Sen. Sue Wilson Beffort
Sen. William F. Burt
Rep. Zachary J. Cook
Sen. Timothy M. Keller
Sen. Carroll H. Leavell
Sen. George K. Munoz
Rep. Andy Nuñez
Sen. John Pinto
Rep. Nick L. Salazar
Sen. John M. Sapien
Rep. Thomas C. Taylor
Rep. Richard D. Vigil

(Attendance dates are noted for members who did not attend the entire meeting.)

Staff

Peter Kovnat, Legislative Council Service (LCS)
Sean Sullivan, LCS
Alex Tapia, LCS

Guests

The guest list is in the archived meeting file.

Handouts

Copies of all handouts are in the archived meeting file.

Thursday, July 12

Call to Order

Representative Rodella called the meeting to order at 10:19 a.m. and welcomed the committee and members of the audience to the meeting. She then asked committee members to introduce themselves.

Welcoming Remarks

Archie Vigil, mayor, Village of Chama, welcomed the committee members and thanked them for meeting in Chama. He noted that Chama's industry and infrastructure are developing to create a more attractive place to live and visit.

Mayor Vigil informed the committee of the major projects taking place in Chama. He explained that the most pressing issue facing the village is the development and construction of a new wastewater sewage plant. Mayor Vigil discussed the difficulty in financing this project, and he noted that the village has raised taxes to fund 45% of the project. He said that he will return to the legislature to seek more funds. Without this wastewater sewage plant, Mayor Vigil said the village will incur fines from the Environmental Protection Agency (EPA). He finished by discussing additional village projects, including refencing the water supply and improving roads.

Questions

A committee member asked about the total cost of the wastewater sewage plant and whether the village has applied to the New Mexico Finance Authority (NMFA) for funding. Mayor Vigil stated that the wastewater sewage plant will cost roughly \$10 million to complete and that the increase in taxes has contributed toward this cost. Mayor Vigil explained that the village has not yet applied to the NMFA and that once the \$800,000 design phase is complete, the village will take this option into consideration.

A legislator initiated a discussion about the design of the new capital outlay process and how it will impact smaller communities like Chama. Another committee member noted that while the legislature should have a say in the development of this process, neither the house nor the senate has been asked to provide any input. The member emphasized that capital outlay money is vital to smaller communities and explained that local governments should work with legislators to fund community projects. The committee member stated that the necessary infrastructure needs to be in place in rural areas to attract and retain jobs.

Another committee member asked about the specific issues relating to the design and construction of a wastewater sewage plant. Mayor Vigil noted that the ammonia and aluminum content is keeping the current facility from meeting EPA specifications. He explained that the wastewater plant currently serves around 1,200 people but will need construction to allow for a capacity of 1,200 more residents to the south and west of the village. A legislator commented that the wastewater plant is a statewide issue and that the legislature needs to assist the village

with funding, either through the NMFA or capital outlay.

A committee member requested information from the Water Trust Board to determine if it deals with wastewater process issues. Another legislator requested that there be a presentation to inform committee members on new discussions and recommendations regarding the capital outlay process. Mayor Vigil noted that he has been unsuccessful in his attempts to speak or meet with Governor Martinez on this issue.

Another committee member stated that there is no way the village will receive the needed \$10 million to complete the wastewater project solely through capital outlay. The legislator stressed, however, that the local legislators should play a large role in how capital outlay money is allocated within smaller communities.

Northern New Mexico College (NNMC): The Economic Benefit of the Institute on Northern New Mexico

Ricky Serna, vice president for institutional advancement, NNMC, introduced himself to the committee. Mr. Serna provided the committee a historical overview of the college, from its inception to its designation as a four-year, degree-granting institution. He noted that while the college now offers baccalaureate degrees, it still offers two-year degrees and technical and vocational certificates. Mr. Serna stated that NNMC serves around 2,000 students per year and has met the federal benchmarks to be designated a Hispanic- and Native American-serving institution. Mr. Serna also discussed the college's state funding trends and athletics expansion.

Dr. Camilla Bustamante, dean, College of Community, Workforce and Career Technical Education, NNMC, introduced herself and discussed the two-pronged return on investment (ROI) study regarding NNMC's economic impact on the surrounding region. The first prong of the study was an investment analysis from a student, social and taxpayer perspective. Dr. Bustamante noted that the student data were taken from 2008-2011 in north central New Mexico. These data revealed that the total cost for students to go to school during this time period was \$31 million, while the benefits received from attending school were \$223 million. Dr. Bustamante explained that this benefit amount is derived from the increased earning power and cumulative effects of real estate and other asset purchases that college graduates enjoy. She asserted that the student ROI is 21.5%, indicating that an education at NNMC is well worth the cost. Dr. Bustamante also explained that because the educated traditionally have better health care, more savings and higher income, the state spends less on social services and experiences reduced unemployment and crime. According to the analysis, New Mexico will see avoided social costs amounting to \$1.7 million per year due to NNMC students. Lastly, from a taxpayer perspective, while state government allocated \$10.2 million to NNMC in fiscal year 2011, the rate of return is 13.2%. Dr. Bustamante said these figures show that the state is making a wise investment in NNMC.

Dr. Bustamante went on to explain the economic growth portion of the study. The analysis looks at the college operations, student and visitor spending and productivity effect to determine the net impact of the institution on the surrounding community. Dr. Bustamante stated that the north central New Mexico economy annually receives roughly \$11.7 million from college operations and approximately \$300,000 from non-local students and visitors. In addition, the added income attributable to the accumulation of NNMC skills in the work force amounts to \$165.8 million each year. In all, Dr. Bustamante reported that the average annual added income due to the activities of NNMC and its students is around \$177.7 million.

Questions

A committee member asked about the relationship between NNMC and Los Alamos National Laboratory (LANL). Mr. Serna stated that the college works closely with LANL and that over the past two years, the college has received United States Department of Energy work force development funding. Mr. Serna also added that in preparation for LANL work force reductions, NNMC is working with a consortium of other colleges to address work force needs and provide job skills training. The legislator mentioned that in 2004, with LANL Foundation support, the legislature created a math and science academy, with the goal of providing teachers with best practices to teach students math and science.

Another committee member asked whether NNMC has looked into funding from the New Mexico Mortgage Finance Authority for student housing development. Mr. Serna explained that NNMC has difficulty improving its infrastructure because the college is unable to receive capital outlay funding. He added, however, that the college is pursuing all avenues to achieve better infrastructure, including seeking necessary funding for housing.

The legislator asked if the college is considering cutting certificate programs. Mr. Serna said no, and he stressed that NNMC is committed to providing associate, certificate, vocational and baccalaureate programs and ensuring continued funding for the math and science academy. Dr. Bustamante added that the college recently completed its strategic planning and that there has been discussion regarding the development of more work force pathways through certificate programs.

A committee member asked about school counseling programs offered by the college. Mr. Serna stated that NNMC partners with other colleges to offer substance abuse, social work and psychology programs. The legislator discussed the need to get people licensed in these areas and requested additional information about these programs.

Another committee member inquired into NNMC's student enrollment, specifically the number of Native American students. Mr. Serna stated that in the spring semester, there were just over 2,000 students enrolled in the college, 12% of whom were Native Americans. A legislator commented that NNMC has the highest Native American graduation rate in the state. The committee member explained that Native Americans in her district are experiencing reading and writing deficiencies, and she asked for specific suggestions regarding how to improve teaching methods. Mr. Serna pointed out that preservation of Native American culture and the development of trusting relationships with local pueblos are essential to successful Native American education.

Discussion then turned to the employment of faculty and staff, online class offerings and issues related to student loans. Mr. Serna indicated that there is a total of 48 full-time faculty, including a large increase in Ph.D. faculty. He mentioned, however, that the faculty salaries at NNMC are \$20,000 less annually than other four-year institutions. Mr. Serna went on to note that distance education classes are offered online and that a majority of the students qualify for full financial aid.

Another committee member asked whether there are any charter schools near NNMC and whether NNMC charts any schools. Mr. Serna stated that the most recent charter school in the area is McCurdy but added that NNMC does not charter any schools. The legislator commented that it is important to export NNMC innovations to charter schools.

The legislator then asked whether the college is discussing improving access to the lottery scholarship. Mr. Serna explained that many students who take advantage of the lottery scholarship choose to attend larger institutions, but because education at NNMC is less expensive, students attending NNMC on the lottery place less stress on the Lottery Tuition Fund.

A committee member reiterated that NNMC should not cut certificate programs and noted her concern about staffing levels and tuition increases. The member also requested information into whether out-of-state faculty coming to NNMC start at higher salaries and whether the audit issues surrounding the college have been solved.

How to Access State Money

Therese Varela, director, Economic Development Division, Economic Development Department (EDD), introduced herself and listed the seven funding sources that she planned to detail for the committee.

First, Ms. Varela stated that one of the most effective funding tools for the EDD is the Job Training Incentive Program (JTIP). She explained that the JTIP is a program that reimburses employers with a portion of up to six months' wages for newly hired employees, as well as a portion of training costs. Ms. Varela went on to note the criteria that make both employers and trainees eligible for the JTIP. Ms. Varela concluded her discussion of the JTIP by providing an overview of the fiscal year 2011 report, when the JTIP funded 32 projects throughout the state (including nine rural projects), awarded \$4.6 million and created 1,015 jobs (184 in rural areas). She added that the fiscal year 2013 appropriation for the JTIP is \$7.9 million.

Ms. Varela continued by explaining the Step Up Program, which reimburses a portion of training costs for incumbent worker training. She pointed out that the program targets training that is specific to new technological changes within a company and that the goal is to upgrade the skills of existing employees. Ms. Varela noted that the program has been expanded from solely rural-focused to include small, urban companies with fewer than 50 employees.

Third, Ms. Varela detailed the finance programs offered by the EDD, particularly the Collateral Support Program and the new market tax credit (NMTC). Ms. Varela said that the Collateral Support Program is designed to provide capital to creditworthy businesses in order to create jobs. She explained that the program does this by enhancing the collateral position of a

company, which allows the company to obtain loans. Ms. Varela went on to discuss the NMTC, which is open to projects with no less than \$5 million in capital investment and is focused on businesses in underserved areas.

The fourth funding avenue described by Ms. Varela is the Local Economic Development Act (LEDA)/capital outlay process. Ms. Varela informed the committee that there are 20 projects currently in the pipeline for LEDA/capital outlay funding, totaling \$160 million in requests, with job creation exceeding 850 jobs. Ms. Varela also mentioned the MainStreet capital outlay, which is funded through the LEDA process but is specific to main street and arts/culture districts.

Ms. Varela also discussed the numerous untapped funding sources. For example, she pointed out that only six communities across the state have adopted through referendum the local options gross receipts tax (LOGRT), which is a valuable financing vehicle for economic development projects. In addition to the LOGRT, Ms. Varela listed other untapped resources, including special assessment districts, public improvement districts, business improvement districts (BIDs) and tax increment development districts.

Ms. Varela detailed the tax credits that are available for economic development and job creation. She briefly explained the angel investment, high-wage jobs, rural jobs, technology jobs, research and development small business and job mentorship tax credits. Ms. Varela noted that the specific operation of these tax credits is governed by statute and that many of the program eligibilities are tied to the JTIP eligibility.

Ms. Varela finished by explaining the gross receipts tax (GRT) deductions that are available. She stated that the GRT deduction for manufacturers and construction and film companies allows for a person to deduct the sale of certain property to these types of businesses from gross receipts.

Questions

A committee member asked whether the EDD has initiated any joint economic development projects with Native American tribes. Ms. Varela noted that there are several ongoing projects in which the EDD is actively involved with tribes and added that the EDD has always had a Native American liaison on its staff. The legislator suggested that the EDD be more assertive in reaching out to these tribes regarding economic development projects.

Another legislator questioned whether the department has conducted a comprehensive study on the various tax credits offered by the state and expressed her desire to have a presentation of this report made to the committee during the interim. Wade Jackson, general counsel, EDD, stated that the tax expenditure report is in its final draft stage and will be completed by August. The committee member went on to express concern over reports that some employers are claiming the high-wage jobs tax credit for existing employees. Mr. Jackson noted that there are concerns relating to this job credit regarding the unpredictability of the budget for the credit and the exploitation of loopholes in the law. He added that legislation will be offered to close these loopholes.

A committee member inquired into the usage and success of BIDs. Antonette Vigil, financial development team, EDD, noted that there are not very many BIDs in operation and that a BID must receive city approval to become valid.

Another committee member asked what the EDD can do to help residents in small, rural areas start and develop businesses. She stressed that the EDD should not help purely urban areas and large companies, but rural areas as well. Ms. Varela explained that the EDD is focused on economic base jobs and that the EDD is unable to expand to all types of businesses because of limited resources. She noted, however, that the EDD has a staff that assists small businesses and that the JTIP has funded many businesses in rural areas. The legislator reiterated that the legislature should work with the EDD to find funding sources for these smaller businesses.

Another legislator invited ideas regarding how to spur economic development in rural areas and questioned whether an expansion of the MainStreet Program will accomplish this goal. Ms. Varela noted that there is \$1 million available for MainStreet funds, and that this money is bid out competitively to the MainStreet districts. She stated that additional funding will be required to expand the MainStreet Program.

A committee member questioned the EDD's involvement in funding Schott Solar and HP and asked why these contracts did not contain clawback provisions. Ms. Varela stated that the Schott Solar contract did not have a clawback provision, while the HP contract did. She went on to explain that Schott Solar received two separate, special appropriations directly from the legislature. Another committee member requested that, during the Albuquerque ERDC meeting, the committee receive a presentation on what went wrong with Schott Solar, including information on what incentives were given, why no clawback provision was included and the number of jobs impacted.

Another committee member emphasized the importance of the mining and extraction industry to the state budget. The legislator inquired into what the EDD is doing specifically to assist the mining and extraction industry.

Update on the New Mexico Oil and Gas Industry

Karin Foster, executive director, Independent Petroleum Association of New Mexico, introduced herself and stressed the importance of the oil and natural gas industry to the state budget, noting that about 40% of the state budget comes from it.

Sherrie Merrow, external relations lead, Encana Natural Gas, Inc., introduced herself and explained that her company promotes natural gas as a transportation fuel.

Ms. Merrow emphasized that natural gas is an abundant and clean source of domestic energy. She noted that the known natural gas supply in North America is double today what experts believed was available in 2006. As far as natural gas solutions for transportation, Ms. Merrow explained that the main options are compressed natural gas (CNG) and liquified natural gas (LNG) and that, currently, there are 1,015 CNG and 52 LNG stations in the United States. In addition, CNG consistently boasts the lowest retail fuel price. Ms. Merrow further stated that there are already a number of vehicle categories that utilize natural gas and that there are

opportunities for natural gas fuel consumption in light duty vehicles.

Ms. Merrow then discussed four benefits of using natural gas as a transportation fuel. First, there are economic benefits to drivers because natural gas is cheaper than gasoline and diesel. Also, counties and cities experience economic benefits through increased severance and other extraction taxes. Second, Ms. Merrow noted that a social benefit is increased job opportunities in areas with concentrated supplies of natural gas, such as New Mexico. Third, Ms. Merrow pointed out the environmental benefits, stating that natural gas is 25% to 30% cleaner than gasoline. Last, there are tangible energy security benefits, because the 32 states that produce natural gas allow the U.S. to reduce dependence on foreign oil.

Ms. Merrow detailed the economic impact of natural gas on New Mexico. She said that New Mexico is the leading natural gas producing state in the U.S., accounting for 10% of the country's production. She added that the natural gas industry in the state accounts for 46,000 jobs, \$3.5 billion in economic output and \$4.3 billion in direct value. Ms. Merrow also discussed the New Mexico Natural Gas Vehicle (NGV) Coalition, which was formed to advance natural gas infrastructure and vehicle growth in the state. In New Mexico, there are nine existing CNG stations and two LNG stations, as well as three planned CNG stations.

The discussion then turned to what types of policies and legislation are used throughout the U.S. to encourage or require utilization of NGVs. Ms. Merrow briefly explained that some possibilities are a CNG/LNG fuel tax incentive, vehicle purchase/conversion funding, infrastructure funding and/or fleet purchase requirements. In addition to an NGV policy, New Mexico has some NGV-related legislation and incentives. Ms. Merrow explained that state incentives include alternative fuel vehicle fueling infrastructure grants and fuel tax exemptions, and current legislation governs natural gas fuel rate reduction and infrastructure maintenance and alternative fuel vehicle and hybrid electric vehicle acquisition requirements.

Ms. Merrow continued by discussing the NGV memorandum of understanding (MOU) among several states, including New Mexico, which encourages the automotive industry to provide NGV options. She noted that the U.S. market is responding, with auto manufacturers beginning to unveil light duty and heavy duty CNG vehicle options.

Dan Genovese, NGV market development manager, Chesapeake Energy, introduced himself and discussed Chesapeake Energy's operating areas, including the Permian Basin in southeastern New Mexico. Mr. Genovese explained that natural gas is a low-carbon fuel and that NGVs reduce greenhouse gases 20% to 29%. He also stated that CNG's gallon equivalency is significantly cheaper than traditional gasoline, resulting in natural gas being \$2.00 cheaper than an equivalent amount of gasoline for vehicle transportation. He emphasized the price stability of CNG, noting that if the cost of natural gas were to double, the price at the pump would not respond similarly, which is untrue of gasoline.

Mr. Genovese explained that the goal of Chesapeake Energy is to reduce greenhouse gases, lower fleet operating costs and promote natural gas as a clean, affordable and abundant alternative motor fuel throughout New Mexico and the U.S. He discussed the benefits of converting fleets to NGVs and noted that many companies have already made this conversion,

including Coca-Cola, UPS and Verizon.

Mr. Genovese stated that Chesapeake Energy is partnering with retailers around the country to improve infrastructure in order to make NGV a feasible alternative. He noted that it is most efficient to add CNG infrastructure to existing convenience stores and summarized that location, access and reputable operators with clean facilities are the traits that make a site a good CNG candidate. Mr. Genovese concluded by discussing Chesapeake Energy's action plan for the future, including partnering to build CNG refueling stations and equipment, working with car and truck manufacturers and working on fleet conversions.

Jason Sandel, executive vice president, Aztec Well, introduced himself to the committee and provided a history of the Aztec Well family of companies. Mr. Sandel noted the economic impact of natural gas in New Mexico, including over 46,000 total jobs and a total investment of \$7.4 billion, accounting for 5.4% of the total state employment and 9.3% of the total state economy, respectively.

Mr. Sandel detailed the company's operations both prior to the economic crisis and currently. Mr. Sandel said that prior to the 2008 economic downturn, the Aztec Well family of companies maintained 13 drilling rigs and 33 well-serving units and was at 100% utilization for 10 straight years. He explained that when the economic crisis caught up with energy prices, the company experienced an immediate 75% shutdown of equipment in the San Juan Basin, reducing the jobs in the area from 750 to fewer than 225. Mr. Sandel also noted the decrease of GRT paid to counties or cities from drilling revenues.

Mr. Sandel emphasized the impact that natural gas operations has on local jobs. For each site, he explained that there are 30 onsite jobs with 10 associated field jobs and 10 office support jobs. Mr. Sandel explained that every time a site has to be closed, it results in a reduction of \$3.75 million in direct local wages. He stressed that there is significant local and statewide value in drilling operations that other states are doing a better job of attracting.

Mr. Sandel finished by providing the committee two recommendations on how to better attract natural gas operations and jobs to New Mexico. First, he noted that the legislature should codify the governor's MOU pertaining to NGV purchases, essentially mandating that a certain percentage of new government vehicles be fueled with natural gas. Second, Mr. Sandel proposed that the legislature use the nonrecurring general fund money that is available because of lower oil prices than estimated to fund a capital loan program to build natural gas infrastructure such as fueling stations and power plants and fund fleet vehicle conversions.

Ms. Foster concluded by noting that Shell is interested in operating in an eight-county region in eastern New Mexico but that the venture is in jeopardy because of a moratorium on oil and natural gas drilling in two counties.

Ms. Foster aired her support for codifying the MOU and discussed the possibility of supporting a bill to convert state vehicles to natural gas.

Questions

A committee member asked why the natural gas industry is not taking off in New Mexico despite its abundant supply. Mr. Genovese stated that the technology is present, but there are cost issues associated with refueling. Ms. Merrow added that there are high front-end costs to convert a vehicle to natural gas or to purchase an NGV. Despite CNG being cheaper at the pump, the purchase price of the vehicle is more expensive.

A legislator expressed concern relating to natural gas refueling certification and regulatory hurdles from the Construction Industries Division (CID) of the Regulation and Licensing Department. He noted that there is a regulatory infrastructure that needs to be created in the executive branch to support this industry and posited that two-year colleges could develop programs to assist in this certification. Ms. Foster acknowledged that state inspectors at the CID are currently untrained in how to regulate natural gas refueling stations.

Discussion then turned to natural gas conversion opportunities in municipal fleets. A committee member noted that school buses are good candidates for conversion, because their fuel costs are high and a refueling station could be placed at the depot. Ms. Merrow noted that there is a bill in Wyoming in which the state would provide matching grant money to those schools that convert their bus fleet to CNG.

Another committee member asked about the biggest challenges facing the natural gas industry in New Mexico. Ms. Merrow stated that the cost for converting a gasoline vehicle to an NGV is expensive. Mr. Sandel explained that there is a lack of infrastructure available in the state to refuel NGVs.

New Mexico First

J.D. Bullington, registered lobbyist, J.D. Bullington Government Relations, LLC, introduced Heather Balas to the committee and gave a brief overview of New Mexico First. Ms. Balas, president and executive director, New Mexico First, noted that New Mexico First is a nonpartisan public policy organization that builds consensus among residents and provides recommendations to policymakers. She stated that her presentation would center around the N.M. Progress Report, which is a snapshot of the state's status in education, energy, health and the economy, and a recent town hall meeting that produced a platform of 14 recommendations.

Ms. Balas said the stakeholders at the town hall meeting provided education-related recommendations based on two indicators. The first indicator was that the percentage of New Mexico fourth graders proficient in reading is much lower than other states. Ways to address this issue include researching other states to determine how they improved education statistics, incentivizing teachers to learn and employ best teaching practices and strengthening the integration of educational resources from outside the classroom. Ms. Balas noted that the second education indicator was that New Mexico has very low college graduation rates. Recommendations to improve these numbers include restructuring work force education systems to eliminate duplication among government agencies, using broadband and distance learning to improve access, using skill-based short courses to qualify people for specific jobs identified by industries and requiring ongoing training for higher education faculty.

Ms. Balas addressed the town hall's two main recommendations relating to the economy. First, the town hall participants recommend that New Mexico grow its existing industries. Steps to accomplish this goal include setting tax rates for economic base industries so that overall rates are lower than surrounding states, branding products made or grown in New Mexico, growing tourism and reviewing regulations that impact economic base industries. Ms. Balas explained that the second main recommendation deals with creating fair tax policies. Participants indicated that the state should develop a fair and equitable tax system, evaluate incentives and exemptions, reduce the general rate to remain revenue-neutral and, if tax increases are necessary, to implement them in a simple and broad-based way.

Discussion was then held concerning the town hall's recommendations relating to energy and water. Ms. Balas stated that the main recommendation related to energy is to develop a comprehensive, bipartisan and statewide energy plan, which would include all conventional and renewable energy sources. A similar suggestion was offered for the state's water policy, as town hall members proposed an update to existing state and regional water plans and the development of a comprehensive, statewide water strategy for surface and ground water.

Ms. Balas concluded by focusing on health issues. The first health indicator studied by the town hall members was the number of health care providers per 100,000 people. Participants recommend that the number of licensed health care professionals in New Mexico be increased and that all licensed practitioners should be enabled to receive Medicaid reimbursement. Ms. Balas stated that the second health indicator was the number of drug and alcohol deaths per 100,000 people. Recommendations in this area include shifting substance abuse and prevention programs from adult driven to more peer-to-peer driven in K-12 schools and colleges and to emphasize preventive care in all health care plans.

Questions

A committee member asked which energy stakeholders are involved. Ms. Balas noted that the stakeholders are all over the map, including both conventional and renewable energy producers. The legislator stressed the importance of utilizing the existing energy resources in New Mexico and requested a list of the specific stakeholders who participated in the energy and economic discussions.

Another committee member asked if there were any recommendations made at the town hall regarding absenteeism in school. Ms. Balas stated that there were no specific recommendations related to truancy, but rather a discussion on education reform in general. The member requested that Ms. Balas forward any content relating to truancy from previous education-based town hall meetings.

A legislator questioned the support at the town hall meeting for early childhood education programs. Ms. Balas noted that there was no discussion or endorsement of specific bills but that the participants agreed that there should be an alignment of early childhood education. There were concerns from other town hall members relating to the integration between educational institutions dealing with early childhood education.

Another committee member commented that none of the recommendations stemming from legislative-created task forces is able to be sold to the whole legislature and wondered how New Mexico First was able to sell its recommendations. Ms. Balas stated that New Mexico First believes in the wisdom of the masses and that a diversity of perspectives helps inform the organization's policy proposals. Also, she noted that town halls are the voices of the constituents, to whom legislators are more responsive.

Recess

The committee recessed for the day at 4:30 p.m.

Friday, July 13

Call to Order

Representative Rodella called the meeting back to order at 9:56 a.m. She introduced Scott Flury, who works in the marketing department at the Apache Nugget Corporation in the Jicarilla Apache Nation.

Discussion of the Return of Public Lands Act

Representative Herrell initiated a discussion regarding the return of federally controlled public lands back to state control. She noted that Utah recently passed a law to transfer federally managed public lands back to state control and urged New Mexico to consider a similar proposal.

Representative Herrell explained that the federal government made certain promises to states at statehood regarding their management over public lands and that these promises have been at issue as early as 1828. She pointed to North Dakota as an example of how states are better able to manage their public lands, noting that North Dakota uses the revenue from public land management to fund its education system. Representative Herrell posited that if federal lands were returned to New Mexico, the revenue generated from their management would allow the state to reach the national average of per pupil funding, as well as meet other state needs.

Representative Herrell also pointed out that 36.4% of New Mexico's budget comes from the federal government and that this percentage will likely decrease as the federal government is forced to face persistent deficits and national debt. She played a video clip of Erskine Bowles stating the severity of the budget crisis and quoting former comptroller general David Walker in support of the proposition that the amount of money in state budgets derived from the federal government will dry up as these fiscal issues are addressed.

Discussion then turned to the ability of the State of New Mexico to manage the land currently managed by the federal government. Representative Herrell stated that the federal government collects royalties, rent and bonuses on minerals severed from federal lands and that about half of these revenues are distributed to the states. In fiscal year 2011, New Mexico received only \$411.8 million in mineral extraction royalties from the federal government. Representative Herrell explained that if federal land is transferred back to New Mexico, the state will need to find a way to manage that land through a private group, counties, a public lands commission or some other feasible alternative. Representative Herrell emphasized that the purpose of returning federal lands back to the states is not simply to sell the lands, and she

acknowledged that there are activities such as hunting and fishing tied to these lands. Representative Herrell also mentioned that a bill to transfer lands back to the state will not impact Indian land.

Representative Herrell pointed out several common criticisms of returning federally managed public lands back to state control. She noted that detractors: 1) view the transfer of public lands to be unconstitutional; 2) assert that states disclaimed title to these lands upon statehood; and 3) believe that states will abuse or inadequately manage the lands. Representative Herrell pointed out relevant constitutional clauses, U.S. Supreme Court opinions and practical experience in Utah to support the conclusion that transferring federally managed lands back to state control is both constitutional and feasible. Representative Herrell finished by emphasizing that the state has the resources to manage its public lands and a bipartisan bill should be considered to accomplish this goal. She noted that questions remain about the precise language of a bill, but that a discussion of legislation similar to the Utah model should begin to take place.

Questions

Committee members inquired into how a transfer of public lands to state control will impact land grants. Legislators questioned whether this return of lands will revert back to land grant owners and thus not have the stated goal of increasing state revenue. Several committee members suggested that this proposal be discussed before the Land Grant Committee.

A committee member aired support for the concept of transferring public lands from federal to state management but stressed that the issue is not about ownership of land, but management of public lands. The legislator noted that the state could do a better job than the federal government at managing public lands.

Another committee member questioned whether Utah was the only state to consider this measure. Representative Herrell explained that while Utah was the only state to pass a public lands bill into law, Arizona passed a bill that was vetoed by the governor because of language involving the sale of public lands. She noted that other states are also currently working on proposals. Representative Herrell stated that while the Utah model would be used, stakeholders around the state should come together to craft a bill best suited to New Mexico's needs.

A committee member reiterated the need for this proposal to be brought before the Land Grant Committee. The legislator also stated that there will need to be a discussion of whether the federal government will relinquish control over the public lands, even if a bill is passed.

Adjournment

Announcement was made regarding a tour of the Cumbres and Toltec Scenic Railroad immediately after the meeting. There being no further business before the committee, the second meeting of the ERDC adjourned at 10:45 a.m.

Cumbres & Toltec Scenic Railroad Presentation and Tour

Committee members and staff toured the Cumbres & Toltec Scenic Railroad.